GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:87
ANSWERED ON:10.08.2007
RATIONALIZATION OF POWER TARIFF
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Will the Minister of POWER be pleased to state:

(a) whether the Government has taken any steps or proposes to take to reform the Power Sector in order to provide cheaper electricity to the consumers in view of the constantly rising electricity charges and its adverse impact on the economic development of the country;

(b) if so, the details thereof till date; and

(c) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) & (b) : The cost of power to a consumer includes the overall bulk power purchase cost as well as transmission cost and the operational and financial performance of the Distribution Companies (DISCOMs), that is, Aggregate Technical and Commercial (AT&C) losses, operational expenses, capital investment for system upgradation/augmentation, consumer profile, subsidy and cross subsidy etc. Tariff determination is the function of appropriate Electricity Regulatory Commission under the provisions of the Electricity Act, 2003.

A number of steps have been taken for rationalizing the tariff of electricity:

i. The Electricity Act, 2003 creates a competitive framework for electricity sector which should exert a downward pressure on costs.

ii. The National Electricity Policy lays down maximum emphasis on full development of feasible hydro potential. The cost of power generation from hydro projects reduces significantly in the long term.

iii. For thermal power, the Policy states that economics of generation and supply of electricity should be the basis for choice of fuel from among the options available. It would be economical for new generating stations to be located either near the fuel sources e.g. pithead locations or load centres.

iv. The Tariff Policy, which was notified on 06.01.2006, provides that all future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/owned company as an identified developer. For Public Sector projects, tariff of all new generation and transmission projects should be decided on the basis of competitive bidding after a period of five years or when the Regulatory Commission is satisfied that the situation is ripe to introduce such competition.

v. Captive coal mining for thermal projects is being encouraged with a view inter alia to lowering the cost of fuel for coal fired stations.

vi. Operational efficiency of poorly performing thermal power stations has been increased by pursuing Renovation and Modernization programme.

vii. The terms and conditions of tariff issued by the Central Electricity Regulatory Commission (CERC) for the period 2004-09 have improved the operational norms.

viii. Mega Power Policy provides for zero customs duty for import of capital equipment and deemed export benefits for domestic suppliers for generation projects fulfilling eligibility conditions of this policy.

ix. Implementation of Ultra Mega Power Projects of 4000 MW each to achieve benefit of economy of scale and supercritical technology which has higher efficiency.

x. The Government had also earlier reduced the custom duty on Naphtha and Natural Gas for power projects and the custom duty on coal.

xi. The Accelerated Power Development and Reform Programme (APDRP) aimed at assisting States in investment in strengthening of sub transmission and distribution systems for reducing technical losses and improving the quality of supply and also for

incentivising through cash grants for reduction of cash losses by State Power Utilities. It is proposed to restructure the programme for making it more effective.

xii. Emphasis is given on metering of feeders and supply to consumers for energy accounting and auditing for identifying location of high losses.

xiii. Legal provisions in Electricity Act, 2003 for dealing with theft of electricity have been further strengthened by the Electricity (Amendment) Act, 2007.

(c) : In view of (a) & (b) above, does not arise.